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FUTURE LOCAL INFRASTRUCTURE SCENARIOS

A report for the Funding Commission

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Section 1: Introduction

Background

Local support and development organisations, like any that seek to support and represent a constituency of interest, have traditionally been called to demonstrate two types of legitimacy. One is political legitimacy, which they derive from being an association with accountability to the organisations that they support and speak for. The second is technical legitimacy – derived from their expertise developed and informed by the everyday insights and experience gained through supporting voluntary and community organisations.

A third type of legitimacy, which appears to be felt most sharply by local support and development organisations, is that derived from who you are funded by. It now determines the behaviour of many organisations much more than the other two types of legitimacy and defines who they are and what business they are in.

Asking how we got here and how desirable this state of affairs is will be for another day. It matters in this context because it helps us understand why we have to think differently and exceptionally about this group of organisations whose fortunes are so intrinsically linked to public funders' willingness and ability to invest in infrastructure support and services, who could so easily become the shock absorbers for funding cuts to the sector. It matters because there is a sense that mergers or other partnerships might be a significant lever to enable local support and development organisations to make a better offer to the local state at a time of significantly reduced public spending.

This paper results from a short exercise to examine the scope for mergers based on ideas first floated in a speech by NAVCA's Chief Executive, Kevin Curley, to the Yorkshire and Humber Forum's Chief Officers' Conference at Cober Hill in March 2010.

Kevin's speech[1]

In his speech Kevin set out five areas that he believed warranted attention:

"In the counties I would assert that county level Support and Development Organisations and Rural Community Councils should examine the case for merger."

"In the counties I think district level Support and Development Organisations should examine the case for merger."

"I would not be able to justify a separate charity providing community accountancy services residing on the same high street as the Local Support and Development Organisation."

"I would find it hard to justify to the Leader of the Council the existence on the same high street of a Local Support and Development Organisation and an independent Volunteer Centre. Unless there is a compelling business case otherwise, they should merge."

[1] This can be found at http://www.navca.org.uk/news/rlsdos.htm

“NAVCA will always argue that statutory organisations at local, regional and national levels should invest in organisations and structures which enable them to hear the voices of, for example, black communities, gay and lesbian communities, women’s groups, disability groups and others. Sometimes this will require the funding of separate organisations. Sometimes independent voice structures could be hosted within local or regional support and development organisations. What we cannot afford to spend local statutory funds on is separate and duplicated capacity building services for different groups.”

The brief

1. Estimate the future cost of the local infrastructure scenarios outlined by Kevin Curley in his Cober Hill speech. We also looked at potential within single-tier authorities.
2. Estimate the potential saving in public expenditure resulting from (1).
3. Illustrate each of the scenarios with a recent case study, highlighting any points of interest for future practice.
4. Draw conclusions about the potential for achieving savings and/or improving the quality and sustainability of the local infrastructure for the third sector.

Assumptions and clarifications

- We use the term ‘generic’ throughout the paper to describe some types of local support and development organisation. It should be recognised that this refers to organisations that provide a comprehensive range of services and have many specialisms.
- All of the financial data used is from the published accounts for 2009. In making judgments we only used the incomes data so any commentary about expenditure assumes breakeven budgets exist.
- Wherever we have made judgements about the level of income from public sources we have presumed it to be 80 per cent based on the mean of the range of organisations examined.
- The paper does not attempt to consider the pros and cons of merger or advocate that any particular organisations should merge. It merely explores whether the potential for mergers can be assessed from publicly available information sources and identifies at a macro level where there might be significant enough potential to warrant funding and policy attention.

Section 2: Exploring mergers between county level generic local support providers and rural community councils

Method

- A list of rural community councils was compiled from the ACRE website and their annual incomes for 2009 were found from the Charity Commission website.
- A list of county level local support and development organisations was identified and their incomes were also found.
- Both these lists were used to identify where there is a generic countywide organisation and a rural community council. This only looked at the 27 two-tier authority areas and did not look at the counties that have undergone recent reorganisation in 2009. These are discussed in the section of this paper on unitary authorities.
- To assess the potential for savings it was firstly decided to make a comparison against the cost of running a single organisation performing both functions based on existing data.
- Another approach taken was to estimate how much would be saved by trying to take 25 per cent of the overall cost away from the combined cost.

Analysis

- There are 11 counties where there is a generic countywide organisation and a rural community council. There are only four where a single organisation performs both functions – one of these in Buckinghamshire is a recent creation and the first example of an RCC merger with district level organisations.

Assessment based on benchmark

- As highlighted in the method section above the first approach to seeing if savings could be made was to make a comparison against the cost of running a single organisation performing both functions based on existing data.
- Funding data was available on three of the four counties where there was an organisation performing both a generic and RCC role. The mean of this was the most reliable benchmark, with a figure of £1,730,942.
- The funding for the two current organisations was then added together and the total was compared to the mean funding for the single organisation model. The table below shows the results of this exercise.

County	Generic funding	RCC funding	Combined	Total in relation to benchmark
Northamptonshire	194,852	426,374	621,226	-1,109,716
Leicestershire	501,908	476,971	978,879	-752,063
Kent	344,303	723,173	1,067,476	-663,466
Nottinghamshire	254,804	1,247,947	1,502,751	-228,191
Gloucestershire	617,878	1,031,554	1,649,432	-81,510
Oxfordshire	722,936	937,256	1,660,192	-70,750
North Yorkshire	390,653	1,387,557	1,778,210	47,268
Cumbria	1,523,561	530,544	2,054,105	323,163
Warwickshire	1,652,786	428,150	2,080,936	349,994
Suffolk	652,324	2,135,611	2,787,935	1,056,993
Norfolk	2,485,160	570,338	3,055,498	1,324,556
TOTAL	**9,341,165**	**9,895,475**	**19,236,640**	**196,278**

- The first thing to note is that in six instances the combined funding is less than the benchmark so if the model works we would need to find £2,905,696 to help those organisations reach the benchmark.
- In the remaining five a saving of £3,101,974 would be made but using this model of analysis a net saving of c£200K. We do not believe that anything meaningful can be derived from using this method.

Assessment based on speculative savings

- The second approach was to estimate how much would be saved by trying to take 25 per cent of the overall cost away from the combined cost.

County	Generic funding	RCC funding	Combined	Combined reduced by 25 per cent
Northamptonshire	194,852	426,374	621,226	465,920
Leicestershire	501,908	476,971	978,879	734,159
Kent	344,303	723,173	1,067,476	800,607
Nottinghamshire	254,804	1,247,947	1,502,751	1,127,063
Gloucestershire	617,878	1,031,554	1,649,432	1,237,074
Oxfordshire	722,936	937,256	1,660,192	1,245,144
North Yorkshire	390,653	1,387,557	1,778,210	1,333,658
Cumbria	1,523,561	530,544	2,054,105	1,540,579
Warwickshire	1,652,786	428,150	2,080,936	1,560,702
Suffolk	652,324	2,135,611	2,787,935	2,090,951
Norfolk	2,485,160	570,338	3,055,498	2,291,624
TOTAL	**9,341,165**	**9,895,475**	**19,236,640**	**14,427,480**

- In this scenario £4.8m could be saved across the 11 counties if merger resulted in 25 per cent savings. Again, we are not sure this provides anything meaningful from which decisions about merger potential can be derived.

Examples of good integrated organisations

Community Impact Bucks

This is a new organisation, but one that is signalling a good way forward in the current climate. Community Impact Bucks is the new name for Buckinghamshire Community Action, Voluntary Action (Chiltern and South Bucks), The Priory Centre and Vale Volunteers. This newly merged organisation will be the combined rural community council, council for voluntary service and volunteer centre for Buckinghamshire enabling them to deliver comprehensive support to the third sector and rural communities throughout the county and be a stronger united strategic voice.

The following are extracts from an article by their Head of Rural and Community Projects, Michael Hunt[2].

“The predecessor organisations – Buckinghamshire Community Action, The Priory Centre, Vale Volunteers and Voluntary Action (Chiltern and South Bucks) – have many years’ experience in supporting, enabling and empowering voluntary and community groups and rural communities.

Experience which will prove invaluable as we work to sustain and develop the individuals, organisations and communities we serve in the coming years, as well as Community Impact Bucks as a organisation, in an environment which is going to be challenging to say the least. Public sector expenditure reductions, the continuing effects of the recession, meeting the demands of the ‘growth’ agenda, adjusting to climate change and new technology, all provide the backdrop to our new beginning. But I hope you will see that we are well placed to meet these challenges – with high quality support, information and advice services, innovative projects and new opportunities to champion the voluntary and community sector.”

Recommendations

- We do not believe that any robust data can be produced to demonstrate the likely savings from mergers of this sort. However, this is not a reason for them not to be considered. Some organisations are clearly demonstrating the ability to perform both roles.
- The recommendation would be that funders and policy makers should sponsor and facilitate workshops and study visits for organisations wishing to consider this type of merger.

[2] Source: InFocus newsletter – Summer 2010 edition.

Section 3: Exploring mergers between local support and development organisations in single-tier authorities

Method

- We gathered lists of generic local support and development organisations in single-tier authorities and 2009 incomes.
- These split into three categories: 32 London boroughs, 36 metropolitan boroughs, 55 unitary authorities.
- For each we looked at where there was duplication and no single identifiable generic organisation for that area and made judgements about any changes that could be brought about.
- Examples of good practice are highlighted in the analysis section rather than as a separate section.

Analysis

London boroughs

- There are 32 London boroughs where a single generic local support and development organisation can be identified. Income data is available on 31 of them, which excludes Tower Hamlets CVS as this is a new organisation.
- The total income across the other 31 boroughs is £26.2m.
- The median income is £745,580 and the mean is £626,501.
- 14 of the 62 areas where a generic organisation and a separate volunteer centre exist are in London.
- Significant pan-borough collaboration exists already through sub-regional partnerships. For example the South London CVS Partnership has BESPOKE, a three-year project to explore shared back office services, funded by the Big Lottery Fund. The project is looking at supporting human resources, finance and management information for the benefit of the South London CVS partnership members[3].
- It is difficult to make assumptions about potential savings and efficiencies but assuming 80 per cent of funding is from public sector sources and a 25 per cent saving could be made in reduced overheads and staff through collaboration and merger then around £6.5m could be saved in total.
- This would not have much resonance or meaning at an individual borough level, but might warrant policy or funding attention at a national or London-wide level.

[3] Source: http://www.slcvspartnership.org.uk/projects/bespoke/

Metropolitan boroughs

- There are 33 where a single generic local support and development organisation can be identified.
- Of the remaining three boroughs, there are two where two generic organisations exist (Wirral and Trafford) and another one where there are three organisations (Bradford).
- Of these 40 organisations income data is available on 38 of them. The total income is £42.9m.
- The median income is £890,334 and the mean is £1.1m.
- There is significant pan-borough collaboration within the old metropolitan county areas, to some extent propelled by ChangeUp, but largely resulting from strong relationships and partnerships developed over many years.
- St Helens CVS is exploring merger with Halton Voluntary Action, which demonstrates the potential for merger between organisations serving neighbouring single-tier authorities, even where they are different types, i.e. one being a metropolitan borough, the other being a unitary.
- In the Wirral and Trafford there appears to be no rationale for there being two separate organisations serving identical areas. In the Wirral this situation exists because the merger of five organisations in 2008 broke down leading to one staying separate. One organisation has an income of £433,987 and the other £893,490 giving a combined total of £1,327,477.
- In Trafford one organisation has an annual income of £35K and the other has £546K. Clearly there would not be savings made if there was a single organisation serving the area but arguably it would be more efficient and effective for investment to go to one body.
- In Bradford there is significant collaboration and partnership already so the case for the creation of a single organisation to avoid duplication and inefficiency is not as clear as in the other areas. It may be that existing arrangements and other partnership structures short of merger would be a more appropriate solution.
- As with London boroughs it is difficult to make assumptions about potential savings, but using the same formula above (80 per cent public funding with 25% efficiencies) it would lead to £8.5m savings. Again this would not have much resonance or meaning at a local level, but might warrant policy or funding attention at a national level.

Unitary authorities

- Compared to what's happening in other types of single-tier authority the picture is least clear in unitaries. These authorities have been created at different times for different purposes. The resultant shape of local support and development organisations generally mirrors whatever has been created, but can take some time to catch up.
- There was financial data found on 71 of the 72 organisations working at this tier. The total income is £50.4m.

- The median income is £536,730 and the mean is £709,525.
- In the 55 unitary authority areas there were 43 where a single generic local support and development organisation can be identified and two where there was no organisation.
- In the remaining 10 areas there were various sets of arrangements, largely reflecting the time lag in re-alignment of the local support and development organisations following local government reorganisation described above, most notably in eight of the nine new unitaries created in 2009. These are experiencing a period of change in respect of the local authority areas they relate to and have significant potential for reorganisation and integration. This is discussed in more detail below.
- In unitary authorities where the driver was to allow large towns and cities to have separate authorities to the less urbanised parts of their county there remains significant collaboration and potential between organisations serving these different areas. There are 17 unitary authorities whose "notable neighbours" are district level organisations in the neighbouring county areas. There are examples of current practice, sometimes driven by contracts for joint city and county delivery as happened in Leicester and Leicestershire.
- If we apply the same formula above (80 per cent public funding with 25% efficiencies) it would lead to £10m savings. As before this would not have much resonance or meaning at a local level, but might warrant policy or funding attention at a national level.

Unitaries with potential for change

- In Hull two organisations perform a generic role and compete for funding. One has an annual income of £971,029 and the other receives £1,618,930.
- Herefordshire, created in 1998, has both an RCC and county level generic, with one district level organisation and a significant specialist health and social care organisation – The Alliance. There is no clear rationale for the single district level organisation remaining separate from the county level body.
- In five of the new unitaries created in 2009, where the county gained district functions, there remains a mix of county level and district level organisations. If the rationale for the creation of these new authorities was that division into districts was impractical and unviable then one might argue the same will have applied to the district level support and development organisations in those areas.
- There are three areas where there is an RCC and district level generic organisations, but no county level generic organisation (Durham, Shropshire and Wiltshire). In County Durham there are six organisations working at what was district-level with a mean income of £409K. In Wiltshire a single contract for generic countywide provision from the local authority has led to two organisations being selected to deliver and the rest having to rethink their roles or fund their service provision in different ways.
- Cornwall has both an RCC and county level generic, with some district level organisations.

- In Northumberland a single organisation performs both a RCC and generic county level role and there are two district level organisations. One of these receives £1.2m income, which is double that received by the county level body.
- The other four new unitaries were districts gaining county function. In Cheshire, which went from being six districts to two unitaries, three districts have merged to form Cheshire East, but in Cheshire West and Chester the picture is not clear and three district level organisations continue to exist. Their combined income is around £1m, with a mean income of £339,391.
- In the other two new unitaries, Bedford and Central Bedfordshire, there are two organisations that roughly align with these from the predecessor districts but there is not sufficient information available to make judgements about potential efficiencies.

Recommendations

- There are some areas where there would be a clear rationale for merger unless there is a business case not to do so. This is most prevalent in those metropolitan boroughs and unitary authorities where there are a number of organisations. There is most potential within those eight new unitaries created in 2009 and this might warrant special funding and policy attention in order to support the transition.
- In London it is more likely that savings could be achieved following the BESPOKE model being pioneered in South London. Investment in this type of activity would be beneficial in other areas.

Section 4: Exploring mergers between local support and development organisations in two-tier authorities

Method

- We gathered lists of generic local support and development organisations in two-tier authorities and their 2009 incomes.
- We produced a table showing key information for each county.
- We looked at whether efficiencies could be gained by assessing against a benchmark and speculating on savings.
- We also looked at what potential there might be using our knowledge of existing arrangements in different areas.

Analysis

- Across the 27 two-tier counties:
  - There are 12 where district level organisations exist, but there is no county level generic infrastructure organisation.
  - There are four where there is a county level generic infrastructure organisation, but there are no district level organisations.
  - There are 11 where there are both countywide and district level organisations.
- We identified 140 district level organisations, some working across more than one district, with a combined income of £55m. Applying the savings calculation (i.e. if merger resulted in a 25% saving on public sector funding, assumed to be 80%) £11m could be saved, but we would repeat the caveat that it would not provide much resonance at an individual or local level.
- We also tried to identify a benchmark based on the mean income of those counties with no or one district level organisation. This did not prove that useful either as there are so many variables that would determine the total income in any one area.
- The table on the next page shows the figures for each county and headline data about districts.
- We believe there remains significant potential for mergers at this level despite not being able to quantify what savings could be made other than making macro level assumptions.
- We know, for example, that in counties such as North Yorkshire there are some districts served by a number of organisations working at sub-district level.
- We know there are also significant collaborations, to some extent propelled by ChangeUp, but also within CVS networks such as the Essex Association of CVS and the Devon Association of CVS.

County	county level			district level			
	generic	RCC	Joint	number	total income	mean	median
Buckinghamshire			no data	0	-	-	-
Cambridgeshire		£822k		4	£525k	£131k	£124k
Cumbria	£1.5m	£531k		0	-	-	-
Derbyshire		£726k		8	£3.1m	£445k	£365k
Devon	-	£1.5m	-	8	£3.5m	£507k	£275k
Dorset	-	-	£1.3m	0	-	-	-
East Sussex	-	£2.1m	-	3	£1.5m	£501k	£405k
Essex	-	£1.1m	-	12	£3.1m	£256k	£216k
Gloucestershire	£617k	£1m	-	3	£807k	£269k	£314k
Hampshire	-	-	£1.9m	11	£8.8m	£803k	£671k
Hertfordshire	-	£417k	-	10	£3.8m	£420k	£246k
Kent	£344k	£723k		5	£3.2m	£646k	£496k
Lancashire	-	£294k	-	7	£3m	£436k	£359k
Leicestershire	£502k	£477k	-	6	£2.6m	£438k	£430k
Lincolnshire	-	£795k	-	3	£1.9m	£648k	£726k
Norfolk	£2.5m	£570k	-	1	£320k	£320k	£320k
Northamptonshire	£195k	£426k	-	0	-	-	-
North Yorkshire	£391k	£1.4m	-	9	£3.5m	£392k	£336k
Nottinghamshire	£254k	£1.2m	-	7	£2.1m	£307k	£249k
Oxfordshire	£723k	£937k	-	1	£42k	£42k	£42k
Somerset	-	£573k		4	£1.1m	£582k	£582k
Staffordshire	-	£432k		9	£4.1m	£516k	£544k
Suffolk	£652k	£2.1m		4	£1.2m	£400k	£100k
Surrey	-	-	£2m	9	£1.8m	£226k	£235k

County	county level			district level			
	generic	RCC	Joint	number	total income	mean	median
Warwickshire	£1.7m	£428k	-	1	£354k	£354k	£354k
West Sussex (as East Sussex)	-	-	-	7	£2.9m	£490k	£550k
Worcestershire	-	£1.9m		4	£540k	£134k	£122k

Example of good practice

Warwickshire[4]

Warwickshire Community and Voluntary Action (WCAVA) was formed in April 2008 from a merger of three district and borough based CVS and two volunteer centres, with an additional CVS joining in March 2009. The merger, part-funded by Capacitybuilders, has created an organisation that is more financially sustainable than the separate CVS and volunteer centre structure it replaced.

They believe it has brought efficiencies without losing local presence. These are described in the case study:

“The merger brought efficiency savings by centralizing back office functions, which has reduced duplication of roles in administration and management. This has allowed WCAVA to shift staff resources from back office to frontline services. Administrative staff freed up by the merger were recruited internally to more frontline posts, receiving training to ensure they had the skills to provide support to TSOs. In some CVSs the balance between frontline and back office staff had been 40:60 prior to the merge; in WCAVA the balance is now 80:20. As a result, some districts have benefited from an increase in the numbers of frontline staff based in their district.”

“At least two of the district CVSs were facing serious financial instability if they didn’t merge, and all of the CVSs had faced long-term risks to their core grant funding. The merger has helped these CVSs stabilize their finances. One of the CVSs in particular was running a £50,000 deficit on entering WCAVA, which they were covering using ring-fenced reserves. The merger has helped this CVS reduce its overheads and increase its income, and in just 18 months it has gone from running a £50,000 deficit to having ‘balanced books’.

WCAVA is also now much better placed to secure countywide funding and contracts. As a single body for the county, it is capable of leading on the delivery of contracts and projects for support services across Warwickshire. This has already helped attract funding from

[4] A more detailed case study can be found at www.improvingsupport.org.uk

various sources, including the Learning and Skills Council, Big Lottery Fund, and Capacitybuilders.

WCAVA has also begun diversifying its income sources through charging for the Community Accountancy Service and for advice and support from its HR manager.

By reducing costs, increasing income and improving services, they have made support services more financially sustainable in the long-term."

Recommendations

- We believe there is sufficient scope for change to warrant policy and funding attention and would recommend that there should be sponsorship to enable facilitation of discussions on collaboration between district level organisations and with their county level counterparts.
- Some of this sponsorship could fund exemplars like WCAVA to act as consultants in championing change in other parts of the country.

Section 5: Exploring mergers between generic local support and development organisations and independent volunteer centres

Method

- A list of volunteer centres was compiled using the information available on Volunteering England's website.
- These were cross referenced against the list of district level, and single-tier generic organisations to identify how many independent volunteer centres exist. This was checked against the Charity Commission and individual organisations' websites where it was unclear whether the organisation was independent or integrated into another organisation. The branding and identity of volunteer centres means that many do appear independent even when they are part of another organisation.
- We made judgements about merger potential and savings based on mean and median data available in Volunteering England's report on volunteer centre funding for 2008/2009.

Analysis

- Volunteering England estimates that 32 per cent of volunteer centres are independent organisations, which would amount to about 100 organisations. 88 per cent of those integrated into another organisation are within a generic local support and development organisation.
- Our research found 62 examples. 28 of these were in single-tier authorities – half of which were London boroughs. The remaining district level independent volunteer centres were harder to match with generic organisations, which probably reflects the fact that they aren't set up to be co-terminus with a single local authority as the generics are.
- 39 per cent of funding for the volunteer centre network comes from local authorities. Other funding comes from grant-making bodies, central and regional government, fees and individual donations.
- The Volunteering England data demonstrates the differences in funding between independent and integrated.

	mean	median
Overall income	£89,000	£50,000
Independent	£144,340	£90,000
Integrated	£38,446	£63,431

- One interpretation of this is that integrated volunteer centres run for less. Another might be that independent volunteer centres attract greater resources. The report notes that there is uncertainty about whether returns from integrated VCs fully describe all income and expenditure – as respondents found it difficult to report a discrete budget, so there may be hidden subsidy from host organisation.

- We tried to generate some information about potential savings but we do not think it is reliable. If we take the difference in median funding between integrated and independent (£26.5k) and multiply that by the number of areas known to have separate organisations (62) you get a potential saving of £1.65m.

Examples of good integrated organisations

Worcester[5]

A good example of how integration need not mean loss of identity of the volunteer centre into the generic brand is Worcester Volunteer Centre (annual income £247,845 in 2009). It was originally established in 1989 as a volunteer bureau to recruit and coordinate volunteers. Over the years it continued to develop and promote good practice in volunteer management and support and later extended its role by becoming a council for voluntary service to promote and support the voluntary sector itself.

Islington[6]

Islington Voluntary Action Council (IVAC) and Islington Volunteer Centre (IVC) merged into one organisation to become stronger and to enable greater effectiveness and support for the work they do.

IVAC and IVC decided that it would be in the best interests of both organisations and the people they serve to join together. IVAC's mission was to promote a thriving, effective and influential third sector that is working to improve the quality of life and the life chances of people in Islington. It was agreed that IVC's work complements this.

The merger took effect on 1 April 2009. In December 2009 Islington Voluntary Action Council (IVAC) became Voluntary Action Islington. They believe that the new name and visual identity tells people what they are about – promoting and supporting action by individuals, groups and organisations in Islington.

They say that the move to new premises has resulted in new ways of working for the organisation. They are much more visible, with a shop front, and premises that are accessible to people in the borough. The new premises are much larger, with meeting rooms and desk spaces that can be used by other organisations and volunteers too.

[5] Source: http://www.worcestervolunteercentre.org.uk
[6] Source: http://www.ivac.org.uk

Recommendations

- With so many examples of integration working well and the number of potential mergers that could result from some intervention it is clear there is significant scope for policy and funding attention – nationally and at a London-wide level given the prevalence of independent volunteer centres there.
- Known benefits and risks of any merger situation would apply here. There are some benefits and risks that would be particular to the volunteer centre context. Volunteering is often seen as the sixth function of local support and development organisations and complements the others well. Performing one function can often inform and improve ability to do another well. Volunteer centres have a remit to build the capacity of volunteer-involving organisations, and training in managing volunteers could integrate nicely into a larger training programme from the local support and development organisation. A more diverse mix of products and services will make the resultant organisation more resilient.
- The beneficiaries or client group is the same. From a beneficiary point of view, they would only need to go to one place to get the help they need. Signposting, communications and co-ordination should be easier within a single organisation than between different organisations.
- One common risk cited in this context is that some funders, especially local authorities, may have a cap on the amount of money they will give to a single organisation. In those circumstances, by remaining separate, organisations can draw down more funding to support local voluntary action than they would do in merging. This phenomenon might be a thing of the past as funding is squeezed.

Section 6: Exploring mergers between generic and specialist organisations

Method

- The brief was to gather information about technical support organisations (TSSOs) (e.g. for IT, community accountancy) and specialist capacity building organisations (SCBOs) (e.g. for services such as children, youth or for client groups e.g. BME, disabled people) and make judgements about merger potential.

Analysis

Technical specialist support organisations (TSSOs)

- To look at TSSOs we tried to gather information about independent community accountancy organisations and funding advice organisations. We found nine community accountancy organisations and three independent funding advice organisations. A 2006 report from the Finance Hub which sought to map funding advice services found there were five at that time. This report and a similar one published on community accountancy found that most services were delivered by a generic local support and development organisation.
- We don't think there is sufficient volume of organisations in these two instances to warrant any special policy or funding attention.

Specialist capacity-building organisations (SCBOs)

- It was difficult to gather enough meaningful and reliable information to discern what savings and efficiencies might be created.
- We used the National Council for Voluntary Youth Services membership list to identify local CVYS bodies, but many of these are projects within a generic organisation. In East Riding, ERCVYS is part of the generic body covering the area, but it retains its own identity. We think there may be some merit in exploring the potential for this type of arrangement further. A significant number are at county level and these could be included in the broader county level discussions.
- We could not find any national or regional listings for BME infrastructure organisations and LGBT organisations.

Recommendations

- The lack of readily available data and the time and resources committed to this project have prevented any significant exploration of potential for merger of these types of organisations.
- One recommendation would be for a future project to gather information from ChangeUp consortia membership, which might help to identify more specialist organisations.

Section 7: Discussion

Merging to save?

Most of the literature on mergers suggests that savings are important but not a primary motivation for mergers. 54 per cent of respondents to a Charity Commission survey[7] said that one of their motivations for seeking a merger was to increase efficiency. Dewey and Kaye[8] found that cost savings are rarely a primary incentive for merger but are a secondary interest.

This was the case in Cumbria[9] where cost savings were not a driver for the merger, but nevertheless it was anticipated that the merger would result in economies of scale on purchasing and savings on backroom and administration costs.

David La Piana, a consultant in the US, said many of the mergers his organisation has facilitated created bigger and more complex entities that required more and better management – a cost that often exceeds the savings from combined operations[10].

The Bridgespan Group highlighted some contrasts to how mergers work in the private sector and what lessons might be learnt. Most notably they highlighted the lack of “matchmakers” as a barrier – people that can help leaders identify, explore and then finance potential merger options – and the lack of guidance on how to evaluate potential deals and structure them so they work.[11]

Follow the Lodestar?

The Lodestar Foundation in the States wanted to tackle inefficiencies and ineffectiveness stemming from overlapping missions and duplication of efforts in the organisations they funded. They adopted a strategy of supporting long-term collaborations as a way of maximising the efficiency and effectiveness of their grant funds. Their advice to a foundation that would like to follow suit is:

1. Provide funds for convening, on an ongoing basis, nonprofits working in the same area
2. Provide technical assistance grants to nonprofits exploring a collaboration option
3. Sponsor workshops that can provide nonprofits with tools to facilitate collaboration
4. Support programs that bring funders, government, and nonprofits together to focus on cooperatively addressing difficult community issues.[12]

[7] Charity Commission (2003) RS 4a Collaborative working and mergers.
[8] Nonprofit mergers: An Assessment of Nonprofits’ Experiences with the Merger Process by Dewey and Kaye; Forbes Funds, 2007.
[9] ‘Anatomy of a merger – the Cumbria experience: How the county’s five district CVS became one’ by David Burnby; NAVCA 2007.
[10] ‘Merging Wisely’ by David La Piana. Stanford Social Innovation Review – Spring 2010
[11] Cortez, A., Foster, W. and Smith Milway, K. (2009) Nonprofit M&A: More than a tool for tough times. The Bridgespan Group.
[12] http://csi.gsb.stanford.edu/making-nonprofit-collaboration-foundation-strategy-lodestar-foundation

Section 8: Final recommendations and conclusions

Throughout each section of this report we identify whether there is potential for change and whether this warrants action by policy makers and funders.

We think there is significant merit in action being taken to encourage discussion about mergers and collaborations in four key areas:

- Within two-tier authorities, especially where there are a lot of small, poorly funded organisations.
- Between county organisations and rural community councils.
- Between independent volunteer centres and generic organisations serving the same area.
- Between organisations in unitary authorities created in 2009.

Further work should be undertaken to map the potential for the integration of specialist organisations into more generic bodies.

Throughout we have highlighted the difficulty there has been in generating information to evaluate the potential for merger. This chimes with the Bridgespan Group's view about the lack of methodologies available to help people evaluate the potential for mergers.

We suggest three ways that help could be given:

- Policy makers and funders could follow the example of the Lodestar Foundation in the States by creating opportunities for people to come together to discuss mergers and providing funding to help with the costs.
- Funding could be made available to support third party "matchmakers", which could be an income generation opportunity for organisations that have been created as a result of a successful merger.
- There are plenty of resources out there to support the mergers process but most focus on identifying potential partners or the pros and cons of different organisational forms. Resources should be created to help people evaluate merger potential using publicly available financial data.

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